

Message Text

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INFO AMEMBASSY ABU DHABI

AMEMBASSY BONN

AMEMBASSY DAMASCUS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY PARIS

AMEMBASSY TEL AVIV

AMEMBASSY TOKYO

C O N F I D E N T I A L CAIRO 3102

E.O. 11652: GDS

TAGS: EFIN, ECON, OVIP (SIMON, WILLIAM E.)

SUBJECT: SECRETARY SIMON'S VISIT TO EGYPT - WRAP UP

REF: (A) CAIRO 3040, (B) CAIRO 3035, (C) CAIRO 3034, (D) CAIRO 3033

1. SECRETARY OF TREASURY WILLIAM E. SIMON ACCOMPANIED BY PRESIDENTIAL

ECONOMIC ASSISTANT SEIDMAN, AND OFFICIAL DELEGATION REPRESENTING SEVERAL AGENCIES, VISITED EGYPT MARCH 4-7. SECRETARY SIMON WAS PRIME MINISTER'S OFFICIAL GUEST DURING HIS STAY. AFTER REST STOP IN LUXOR MARCH 4-5, SIMON ARRIVED IN CAIRO MARCH 6 AND BEGAN ROUND OF MEETINGS WITH MINFINANCE AHMED ABU ISMAIL, MINECONOMY SAFEI, PRIME MINISTER AND PRESIDENT. ON MARCH 7 SECRETARY SIMON MET WITH EGYPTIAN MEMBERS OF THE JOINT US/EGYPTIAN BUSINESS COUNCIL AND LOCAL REPS OF US MEMBERS. PRESIDENT RECEIVED SECRETARY SIMON AT
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BARRAGES. SIMON RECEIVED COLLAR OF THE REPUBLIC IN RECOGNITION HIS

EFFORTS ON BEHALF OF EGYPT. VISIT SERVED TO EMPHASIZE US INTEREST IN COOPERATION WITH EGYPT IN ECONOMIC AFFAIRS.

2. DURING MEETING WITH MINISTER OF FINANCE ABU ISMAIL (FOR DETAILED REPORT SEE REF D) SECRETARY SIMON LISTENED TO REVIEW OF EGYPT'S ECONOMIC PROBLEMS WHICH ABU ISMAIL DESCRIBED AS SIMILAR TO IMMEDIATELY PRECEDING YEARS, IF SOMEWHAT LESS CRITICAL. MINFIN DISCUSSED UNSUCCESSFUL DEBT NEGOTIATIONS WITH SOVIETS COMMENTING ON THEIR REFUSAL THUS FAR TO EXTEND REPAYMENT PERIOD OR GRANT RELIEF ON INTEREST BURDEN OF MILITARY DEBT. THREE AREAS OF POSSIBLE USG TECHNICAL ASSISTANCE WERE DISCUSSED; EXPORT TECHNIQUES AND FINANCING, TAX ADMINISTRATION AND PROJECT EVALUATION. IN TAX ADMINISTRATION FIELD, ABU ISMAIL INDICATED HE WANTS MOVE AHEAD WITH SECRETARY'S OFFER TO SEND A US TAX ADVISORY GROUP AND SAID GOE WILL SEND 30 TO 40 SENIOR GOE OFFICIALS FOR TRAINING IN US. SECRETARY SIMON AGREED TO US TRAINING, SUGGESTING IT BE SCHEDULED ON PHASED BASIS.

3. IN MEETING WITH ECON SHAFEI SECRETARY SIMON LED FRANK DISCUSSION OF PROBLEMS GOE HAVING WITH US PRIVATE INVESTMENT PROPOSALS. (FOR DETAILED REPORT SEE REF C) DISCUSSION CENTERED AROUND GOODYEAR PROPOSAL. SHAFEI CONTRASTED IT WITH MICHELIN PROPOSAL WHICH INCLUDES FIFTY PERCENT EXPORT COMPONENT AND REQUIRES NO FOREIGN EXCHANGE GUARANTEE. IN LIGHT FOREIGN EXCHANGE PROBLEMS, SHAFIE SAID THAT FRENCH AND OTHER PROPOSALS ARE MORE ATTRACTIVE THAN AMERICAN.

4. MEETING WITH PRIME MINISTER SALEM SAW FURTHER DISCUSSIONS REGARDING GOODYEAR PROPOSAL (REFTEL B). SECRETARY SIMON REITERATED THAT PROSPECT GOODYEAR, WHICH IS PRESTIGIOUS AMERICAN COMPANY, WILL NOT RECEIVE APPROVAL OF ITS PROPOSAL, WILL HAVE UNFORTUNATE EFFECT ON ATTITUDE OF OTHER US COMPANIES, AS WELL OVERALL INVESTMENT CLIMATE. SALEM DID SAY THAT HE PREPARED TO APPROVE GOODYEAR PROJECT AS INDICATION GOE DESIRE TO IMPLEMENT OPEN DOOR POLICY, DESPITE ITS RELATIVE UNACCEPTABILITY IN GOE EYES.

5. SECRETARY SIMON AND PRIME MINISTER THEN TOOK PART IN LARGER MEETING WITH U.S. DELEGATION AND NUMBER OF GOE MINISTERS, LED BY DEP PRIMIN AND FONMIN FAHMY. MINISTER OF PLANNING ABD AL-RAHMAN GAVE A SUMMARY OF FIVE-YEAR PLAN, WHICH HE HOPES WILL BE READY BY JULY 1976. THERE WILL BE ECONOMIC AS WELL AS POLITICAL DECISIONS
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NECESSARY BETWEEN NOW AND THEM, HOWEVER, WHICH COULD DELAY ITS IMPLEMENTATION. BASICALLY FIVE-YEAR PLAN GOAL IS TO INCREASE GNP BY 60 PERCENT. BY 1980 SAVINGS WILL AMOUNT TO 15 TO 20 PERCENT OF GNP. SUEZ AND OIL REVENUES WILL THEN BE EQUIVALENT TO SAVINGS. RENEWAL OF TECHNOLOGY WILL BE MOST IMPORTANT GOAL, ESPECIALLY IN TEXTILES, FERTILIZER, CEMENT AND AGRIBUSINESS. INVESTMENT OVER THE PERIOD WILL BE 20 BILLION DOLLARS, (NOTE THAT PRIME MINISTER MENTIONED 40 BILLION) WITH 40 PERCENT COMING FROM INTERNAL SAVINGS,

REMAINDER NEEDED FROM FOREIGN SOURCES. PLAN ENVISAGES BALANCE IN CURRENT ACCOUNT SITUATION ALTHOUGH CAPITAL ACCOUNT NATURALLY WILL HAVE TO REMAIN INBALANCED. RAHMAN SAID THAT DEBT SERVICE RATION OF 25 PERCENT OF TOTAL EXPORTS CAN BE MAINTAINED. PRIME MINISTER REITERATED THAT GOE IS IN GENERAL AGREEMENT WITH IMF AND IBRD ON NECESSARY REFORMS BUT TIMING MUST BE CAREFULLY WEIGHED IN ORDER TO AVOID POLITICAL PROBLEMS AND INFLATION. FOLLOWING RAHMAN PRESENTATION, SECRETARY SIMON AND MIN TRADE TEWFIK ABDEL FATTAH SIGNED PL480 AGREEMENT AMENDMENT PROVIDING 500,000 MT WHEAT/WHEAT FLOUR.

5. DINNER GIVEN BY PRIME MINISTER REMARKABLE FOR ARRAY OF HIGH-LEVEL GUESTS. VIRTUALLY EVERY MEMBER OF THE CABINET IN TOWN WAS THERE INCLUDING FOREIGN MINISTER FAHMY. HIGH-RANKING PRESIDENCY OFFICIALS ALSO ATTENDED IN WHAT WAS DESCRIBED AS CONSCIOUS EFFORT TO SHOW IMPORTANCE OF RELATIONS WITH US.

6. DURING MEETING MARCH 7 WITH JOINT BUSINESS COUNCIL, SECRETARY STRESSED US AID TO EGYPT IS IMPORTANT IN SHORT RUN, BUT ONLY LONG-TERM APPROACH TO EGYPT'S ECONOMIC PROBLEM IS INCREASE IN CAPITAL INVESTMENT. HE DESCRIBED POSITIVE ROLE IN REMOVING IMPEDIMENTS TO INVESTMENT THAT JOINT BUSINESS COUNCIL COULD PLAY. ASSISTANT SECRETARY PARSKY INDICATED THAT PARTICULAR PROBLEMS FOR FOREIGN INVESTORS INCLUDE: (A) ASSURANCE OF EQUITY PARTICIPATION FOR FOREIGN INVESTORS; (B) ASSURED REPATRIATION OF PROFITS; AND (C) THE AVAILABILITY OF SUFFICIENT FOREIGN EXCHANGE TO OPERATE PROJECTS AT CAPACITY. QUESTION AND ANSWER SESSION PRODUCED IDEA CHARACTERIZED BY SIMON AS "PRIVATE SECTOR MARSHALL PLAN" WHICH WOULD CALL FOR MAJOR INFUSION OF PRIVATE FOREIGN INVESTMENT AS LIMITATIONS INHERENT IN PRESENT EGYPTIAN ECONOMIC SYSTEM WERE REMOVED BY FULLER IMPLEMENTATION OF "OPEN DOOR" POLICY.

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7. IN MEETING WITH PRESIDENT SADAT (SEE REFTTEL A), SIMON CONVEYED ASSURANCES OF CONTINUED US SUPPORT. HE SAID HE HAD FOUND OTHER ARABS, ESPECIALLY SAUDIS, READY TO HELP KEEP EGYPTIAN ECONOMY FUNCTIONING, AT SAME TIME THAT EFFORTS ARE MADE TO DEVELOP INFRASTRUCTURE AND INVESTMENT INFLOW. SADAT SPOKE OF BOTH POLITICAL (I.E. USSR) AND ECONOMIC PRESSURES EGYPT AS UNDERGOING AND IMPORTANCE OF US HELP IN THIS CONTEXT. HE WAS CONFIDENT THAT OBSTACLES COULD BE OVERCOME IN TIME WITH CONTINUED LIBERALIZATION OF EGYPTIAN POLICY. EXTREMELY CORDIAL MEETING ENDED WITH PRESENTATION TO SECRETARY SIMON OF COLLAR OF THE REPUBLIC IN RECOGNITION OF SECRETARY SIMON'S EFFORTS ON EGYPT'S BEHALF. COLLAR OF THE REPUBLIC IS THE SECOND-HIGHEST EGYPTIAN DECORATION GIVEN TO CIVILIANS. SECRETARY KISSINGER WAS THE LAST AMERICAN TO RECEIVE THIS DECORATION, IN JUNE 1974.

8. COMMENT: SECRETARY SIMON AND HIS PARTY HAD FRANKEST DISCUSSIONS TO DATE REGARDING ARRAY OF PROBLEMS FACING US INVESTMENT IN EGYPT. EGYPTIANS WENT OUT OF THEIR WAY TO ASSURE THAT SIMON VISIT WAS PRESTIGIOUS AFFAIR FROM HIS STATUS AS OFFICIAL GUEST OF EGYPTIAN PRIME MINISTER, INSTEAD OF MINISTER OF FINANCE, TO HIGH DECORATION CONFERRED UPON HIM. ALTHOUGH VISIT PRODUCED LITTLE FORWARD MOTION ON ANY OF TOPICS DISCUSSED, ITS ATMOSPHERE WAS SYMBOLIC OF CLOSE FREIDNSHIP AND FRANK WORKING RELTIONSHIP WHICH HAS DEVELOPED BETWEEN US AND EGYPT ON ALL LEVELS.
MAESTRONE

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